

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>UPPER MICHIGAN ENERGY RESOURCES</b>	)	
<b>CORPORATION</b> for approval of a power supply cost	)	Case No. U-18149
recovery plan and authorization of monthly power	)	
supply cost recovery factors for calendar year 2017.	)	
_____	)	

At the April 13, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On September 30, 2016, Wisconsin Public Service Corporation (WPS Corp) filed an application, with supporting testimony and exhibits, seeking authority to implement a power supply cost recovery (PSCR) plan for the 12-month period ending December 31, 2017.

A prehearing conference was held on November 16, 2016, before Administrative Law Judge Suzanne D. Sonneborn (ALJ). WPS Corp and the Commission Staff participated in the proceedings. The ALJ granted intervenor status to Citizens Against Rate Excess and Fibrek.

On August 6, 2014, pursuant to the amended and restated settlement agreement in Case No. U-17682, control of WPS Corp and Michigan Gas Utilities Corporation (MGUC) was transferred from Integrys Energy Group, Inc., to Wisconsin Energy Corporation. Wisconsin

Energy Corporation was subsequently renamed WEC Energy Group, Inc. (WEC), and Integrys Energy Group, Inc., transitioned to Integrys Holding, Inc. (Integrys).

On June 14, 2016, Wisconsin Electric Power Company (WEPCo) and WPS Corp filed an application in Case No. U-18061 for approval, pursuant to MCL 460.6q, of the transfer of WEPCo's Michigan electric distribution assets and WPS Corp's Michigan electric and natural gas distribution assets to Upper Michigan Energy Resources Corporation (UMERC), a to-be-formed Michigan jurisdictional regulated utility providing service to electric and natural gas customers only in Michigan. WEPCo is a wholly-owned subsidiary of WEC. WPS Corp is a wholly-owned subsidiary of Integrys, which is a wholly-owned subsidiary of WEC. In the December 9, 2016 order in Case No. U-18061 (December 9 order), UMEREC received authority, effective January 1, 2017, to, among other things, provide retail electric service to the former Michigan electric customers of WEPCo, with the exception of Tilden Mining Company, L.C., and to the former Michigan electric customers of WPS Corp.

Included in the UMEREC tariffs approved by the December 9 order for the WEPCo Rate Zone and the WPSC Rate Zone are the PSCR clauses previously authorized for WEPCo and WPS Corp, respectively. Pursuant to the approvals granted in the December 9 order, UMEREC filed an amended application and direct case in this docket on February 8, 2017, constituting its 2017 PSCR plan and five-year forecast for its WEPCo Rate Zone and WPSC Rate Zone.<sup>1</sup> Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree to a 2017 ceiling PSCR factor of \$0.00243 per kilowatt-hour (kWh) for the WEPCo Rate Zone, and a

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<sup>1</sup> The initial application filed on September 30, 2016, listed WPS Corp as the applicant in the caption. The caption was amended in the February 8, 2017 amended application to reflect UMEREC as the applicant.

ceiling PSCR factor of \$0.00055 per kWh for the WPSC Rate Zone, effective on and after the beginning of the first billing month following approval of the settlement agreement through the December 2017 billing month. Additionally, the parties agree that the five-year forecast meets the statutory mandates of 1982 PA 304 and based on current evidence, there are no costs unlikely to be permitted to be recovered from customers.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Upper Michigan Energy Resources Corporation is authorized to implement a 2017 ceiling power supply cost recovery factor of \$0.00243 per kilowatt-hour in its monthly billings to its retail electric customers in its Wisconsin Electric Power Company Rate Zone effective on and after the first business month following this order.
- C. Upper Michigan Energy Resources Corporation is authorized to implement a 2017 ceiling power supply cost recovery factor of \$0.00055 per kilowatt-hour in its monthly billings to its retail electric customers in its Wisconsin Public Service Corporation Rate Zone effective on and after the first business month following this order.
- D. Within 30 days of the date of this order, Upper Michigan Energy Resources Corporation shall file with the Commission tariff sheets substantially in conformity with Attachments 1 and 2 to the settlement agreement.
- E. If Upper Michigan Energy Resources Corporation desires to apply a lesser power supply cost recovery factor than that approved by this order, it shall notify the Commission and the parties

10 days prior to the use of the lesser factor and shall file during the billing month a tariff sheet showing the lesser factor applied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General – Public Service Division at [pungp1@michigan.gov](mailto:pungp1@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

By its action of April 13, 2017.

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Norman J. Saari, Commissioner

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Kavita Kale, Executive Secretary

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Rachael A. Eubanks, Commissioner

**STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

\* \* \* \* \*

In the matter of the application of	)	
<b>UPPER MICHIGAN ENERGY RESOURCES</b>	)	Case No. U-18149
<b>CORPORATION (serving the former Michigan electric</b>	)	
<b>customers of Wisconsin Electric Power Company and</b>	)	
<b>Wisconsin Public Service Corporation) for approval of a</b>	)	
power supply cost recovery plan and authorization of	)	
monthly power supply cost recovery factors for the calendar	)	
<u>year 2017.</u>	)	

**SETTLEMENT AGREEMENT**

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, R 792.10431, Upper Michigan Energy Resources Corporation (“UMERC” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), Citizens Against Rate Excess (“CARE”), and Fibrek hereby agree as follows:

1. On September 30, 2016, Wisconsin Public Service Corporation (“WPS Corp”) filed its application in this docket seeking authority to implement a Power Supply Cost Recovery (“PSCR”) plan and factor of \$0.00055 per kilowatt-hour (“kWh”) for the 2017 calendar year. In support of its application, WPS Corp filed the direct testimony and exhibits of John G. Guntlisbergen and Meghan M. Count.<sup>1</sup>

2. On October 10, 2016, the Commission’s Executive Secretary issued the Notice of Hearing directing WPS Corp to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its Michigan electric service area, as well as to intervenors in Case No. U-17914. Furthermore, the Commission directed WPS Corp to publish the Notice of

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<sup>1</sup> On September 30, 2016, Wisconsin Electric Power Company (“WEPCo”) also filed its application and direct case in support of its 2017 PSCR plan and a PSCR factor of \$0.00243 per kWh in Case No. U-18148.

Hearing in daily newspapers of general circulation throughout its Michigan electric service area. Complying with the directive, WPS Corp electronically filed the requisite affidavit of mailing and proof of publication on November 14, 2016.

3. Administrative Law Judge (“ALJ”) Suzanne D. Sonneborn presided over the November 16, 2016 prehearing. CARE and Fibrek were granted intervenor status.<sup>2</sup>

4. By Order Approving Settlement dated December 9, 2016, in Case No. U-18061 (“U-18061 Order”), UMEREC was granted authority by the Commission effective on January 1, 2017, to, among other things, provide retail electric service to the former Michigan electric customers of WEPCo<sup>3</sup> and to the former Michigan electric customers of WPS Corp. Specifically, UMEREC’s tariffed Michigan retail electric rates were authorized by the Commission in the U-18061 Order and incorporated in these tariff rates are the PSCR clauses previously authorized by the Commission pursuant to Section 6j(2) of Act 304 for WEPCo and WPS Corp, respectively, pursuant to which UMEREC will recover PSCR costs via separate PSCR factors for the WEPCo Rate Zone and the WPSC Rate Zone. As such the settlement agreement approved by the U-18061 Order provided in relevant part:

"UMERC shall adopt the power supply cost recovery ('PSCR') clauses of WEPCo and WPS Corp, pursuant to which UMEREC will recover PSCR costs via separate PSCR factors for the WEPCo Rate Zone and the WPS Corp Rate Zone, respectively, subject to the Commission's approval in annual PSCR plan and PSCR reconciliation cases. For the WEPCo Rate Zone, the PSCR base shall be \$45.47 per MWh at sales level, and for the WPS Corp Rate Zone the PSCR base shall be \$39.43 per MWh at generation level. UMEREC shall apply for the WEPCo Rate Zone and the WPS Corp Rate Zone the current authorized rate of return on common equity ('ROE') for WEPCo and WPS Corp, respectively, to any PSCR over-recoveries. Until UMEREC files a Michigan retail electric rate

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<sup>2</sup> Pursuant to due notice, a prehearing conference was also held in Case No. U-18148 before ALJ Sharron L. Feldman. CARE and Tilden Mining Company, L.C. (“Tilden”) were granted intervenor status.

<sup>3</sup> As an exception, the U-18061 Order provided for WEPCo to continue to provide electric service to Tilden.

case and receives authority to implement new PSCR base(s), it will exclude the generation-related ownership costs that are included in the capacity and energy rates of both the WEPCo PPA and the WPS Corp PPA for purposes of the PSCR factor calculations in its annual PSCR plan and reconciliation cases. UMERC is authorized to implement for the WEPCo Rate Zone and the WPS Corp Rate Zone, up to the 2017 PSCR factors authorized by law for WEPCo and WPS Corp, respectively, through December 31, 2017.”

5. Consistent with its authorization to provide electric service in the former Michigan service territories of WEPCo and WPS Corp, on February 8, 2017, UMERC filed an amended application in this case, as well as the direct testimony and exhibits of Dennis M. Derricks which constitute UMERC’s 2017 PSCR plan and five year forecast.<sup>4</sup> Therein, UMERC proposed for its WEPCo Rate Zone a 2017 PSCR factor of \$0.00243 per kWh, and for its WPSC Rate Zone a 2017 PSCR factor of \$0.00055 per kWh.

6. Subsequently, the parties have engaged in settlement discussions, and as a result, have successfully reached compromise on all of the contested issues in this case. The parties to this settlement agreement agree as follows:

- a. UMERC’s 2017 PSCR Plan as filed on February 8, 2016, for its WEPCo Rate Zone and WPS Rate Zone, is reasonable and should be approved by the Commission.
- b. UMERC should be authorized to implement:
  - (i) A ceiling PSCR factor of \$0.00243 per kWh in its WEPCo Rate Zone customers’ bills effective on and after the beginning of the first billing month following the issuance of a Commission order approving this settlement through the December 2017 billing month. This factor reflects the roll-in of \$0 for the prior period 2016 PSCR period. A tariff sheet

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<sup>4</sup> As of the date of the amended application, the direct testimony and exhibits of Mr. Guntlisbergen and Ms. Count were withdrawn from this case.

attached as Attachment 1 reflects the agreed upon 2017 PSCR factor for the WEPCo Rate Zone of \$0.00243 per kWh.

- (ii) A ceiling PSCR factor of \$0.00055 per kWh in its WPSC Rate Zone customers' bills effective on and after the beginning of the first billing month following the issuance of a Commission order approving this settlement through the December 2017 billing month. This factor reflects the roll-in of \$0 for the prior period 2016 PSCR period. A tariff sheet attached as Attachment 2 reflects the agreed upon 2017 PSCR factor for the WPSC Rate Zone of \$0.00055 per kWh.

- c. UMERC's five year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and based on current evidence, there are no costs unlikely to be permitted to be recovered in customer rates.

7. All of the signatories are of the opinion that this settlement agreement is reasonable, will promote the public interest and will aid in the expeditious conclusion of this case.

8. This settlement agreement is entered into for the sole and express purpose of reaching a compromise among the positions of the parties, and does not constitute a party admission of unreasonableness or imprudence. This settlement agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall



be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

9. All offers of settlement and discussions relating to this settlement agreement are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or matter. This settlement agreement does not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.

10. All signatories waive § 81 of the APA of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, providing the Commission approves this settlement agreement.

UPPER MICHIGAN ENERGY RESOURCES  
CORPORATION

**Sherri A.  
Wellman**

Digitally signed by: Sherri A. Wellman  
DN: CN = Sherri A. Wellman C = AD O =  
MillerCanfield  
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Dated: March 27, 2016

By: \_\_\_\_\_

Its Attorney  
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF



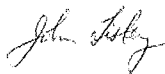
Dated: March 27, 2016

By: \_\_\_\_\_

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CITIZENS AGAINST RATE EXCESS

Dated: March 27, 2016


By:  Digitally signed by  
John R. Liskey  
Date: 2017.03.27  
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Dated: March 27, 2016

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raaron@dykema.com C = US O =  
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# Attachment 1

M.P.S.C. No. 1 – Electric  
Upper Michigan Energy Resources Corporation

WEPCo Rate Zone

Original Sheet No. D-3.00

## POWER SUPPLY COST RECOVERY

### PSCR FACTORS

All rates for metered electric service shall include an amount up to the Power Supply Cost Recovery (PSCR) Factor for the specified billing period as set forth below. The PSCR Factor includes an increase or decrease of 0.0104 mills per kWh for each full 0.01 mill increase or decrease in the projected annual power supply costs above or below a cost base of 45.47 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected annual net power cost divided by the projected annual net system energy requirements. Net system energy requirements shall be the sum of net generation and net purchased and interchange power. An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that month and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

The PSCR Factor shall be applicable to all Power Supply charges for the following Rate Schedules:

<u>Class of Service</u>	<u>Rate Schedule No.</u>
Residential	Rg 1 and Rg 2
General Secondary	Cg 1, Cg 2, Cg 3, Cg3C, Cg 5, TssM and TssU
General Primary	Cp 1, Cp 2, Cp 3, Cp 4, Schedule A & Cp LC
Lighting	Ms2, Ms3, GL1, LED1
Other	Mg 1, DS 1
ERRR 1, ERRR 3	No adjustment for PSCR
100% Renewable power	(1-.50) x PSCR factor applicable to rate schedule customer is served under. Customer pays 50% of PSCR factor.
50% Renewable power	(1-.25) x PSCR factor applicable to rate schedule customer is served under. Customer pays 75% of PSCR factor.
25% Renewable power	
ERRR 2	PSCR factor applicable to rate schedule customer is served under.
Kilowatt-hour in excess of nominated block	CGS Category 1, CGS Category 2, CGS Biogas
Customer Generating System	

<u>Month</u>	<u>2017 Plan Year PSCR Factor (\$ per kWh)</u>	<u>Prior Period PSCR Reconciliation Factor (\$ per kWh)</u>	<u>Maximum 2017 PSCR Factor (\$ per kWh)</u>	<u>Actual Factor Billed (\$ per kWh)</u>
Jan 2017	0.00243	0.00000	0.00243	0.00243
Feb 2017	0.00243	0.00000	0.00243	0.00243
Mar 2017	0.00243	0.00000	0.00243	0.00243
Apr 2017	0.00243	0.00000	0.00243	0.00243
May 2017	0.00243	0.00000	0.00243	0.00243
Jun 2017	0.00243	0.00000	0.00243	0.00243
Jul 2017	0.00243	0.00000	0.00243	0.00243
Aug 2017	0.00243	0.00000	0.00243	0.00243
Sep 2017	0.00243	0.00000	0.00243	0.00243
Oct 2017	0.00243	0.00000	0.00243	0.00243
Nov 2017	0.00243	0.00000	0.00243	0.00243
Dec 2017	0.00243	0.00000	0.00243	0.00243

Parentheses indicate a credit factor. Should the Company apply lesser factors than those above or if the factors are later revised pursuant to commission orders or 1982 PA 304, the Company will notify the commission if necessary and file a revision of the above list.

(Continued on Sheet No. D-4.00)

Issued mm-dd-yy  
T. T. Bidukas  
Vice-President,  
Milwaukee, Wisconsin

Effective for bills rendered for  
the 2017 Plan year

Issued under authority of the  
Michigan Public Service Commission  
dated mm-dd-yy  
in Case No. U-18149

# Attachment 2

M.P.S.C. No. 1 -- Electric  
Upper Michigan Energy Resources Corporation

WPSC Rate Zone

Original Sheet No, D-100.00

## SECTION D -- WPSC RATE ZONE RATE SCHEDULES

### D1. POWER SUPPLY COST RECOVERY

PSCRM

#### 1. PSCR FACTORS

All rates for metered electric Power Supply service shall include an amount up to the Power Supply Cost Recovery Factor (the PSCR Factor) for the specified billing period as set forth below. The PSCR Factor for the period covered shall consist of an increase or decrease of .010276 mills per kwh for each full .01 mill per kwh increase or decrease in power supply costs above or below a base cost of 39.43 mills per kwh rounded to the nearest .01 mills per kwh. The projected power supply and transmission service costs per kwh shall equal the total projected net power costs in that month divided by that month's net system kwh requirements. MPSC Order dated April 23, 2015 in Case No. U-17669 established the PSCR base and loss factor effective for service on and after the beginning of the first business month following April 23, 2015, on a bill rendered basis.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that monthly billing period and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative. This procedure shall apply to the following rate schedules:

<u>Class of Service</u>	<u>Schedule No.</u>
Residential	Rg-1M, RG-OTOUM
Commercial & Industrial	Cg-1M, Cg-3M, Cg-OTOUM, Cp-1M
Other	Mp-1M

<u>Billing Months</u>	<u>Power Supply Cost Recovery Factors</u>			
	2017 Plan Year PSCR Factor \$/kWh	Prior Period PSCR Reconciliation Factor \$/kWh	Maximum 2017 PSCR Factor \$/kWh	Actual Factor Billed \$/kWh
January 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
February 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
March 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
April 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
May 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
June 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
July 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
August 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
September 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
October 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
November 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055
December 2017	\$0.00055	\$0.00000	\$0.00055	\$0.00055

(Continued on Sheet No. D-101.00)

Issued mm-dd-yy  
T. T. Bidukas  
Vice-President,  
Milwaukee, Wisconsin

Effective for bills rendered for  
the 2017 Plan year

Issued under authority of the  
Michigan Public Service Commission  
dated mm-dd-yy  
in Case No. U-18149